

INTERNATIONAL CITY MANAGERS' ASSOCIATION

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MAKING PAY ADJUSTMENTS FOR CITY EMPLOYEES

How can cities best determine the need and method of increasing salaries to meet the rising cost of living and the competition for workers?

The recent $18\frac{1}{2}$ -cent-an-hour increase in industry already is affecting cities. Governments cannot change pay policies as easily as business can, and thus are at a disadvantage in the competition for workers in times of inflation. But city officials must keep on top of the pay question to avoid the cost of excessive turnover and unsound stopgap policies. Any revision of pay rates, however, must be made on the basis of certain criteria, must take into account local factors pertinent to the immediate situation, and cannot go beyond the financial ability of the city.

The $18\frac{1}{2}$ -cent-an-hour wage increases following the steel and auto strikes has been erroneously interpreted in some cities as an increase over and above the salaries being paid in industry at the end of the war. This increase is considered by both labor and management either as an offset to the reduction in take-home pay when the work week presumably was reduced from 48 to 40 hours at the end of the war or as an 18 per cent addition to the Little Steel formula. (Since the average pay in industry was approximately \$1 an hour, the $18\frac{1}{2}$ cents would be about an 18 per cent increase.) It was claimed that the cost of living had increased 33 per cent, and that 18 per cent added to the Little Steel formula of 15 per cent (January, 1941) would bring the pay rates in line with the increase in living costs. Municipal governments were affected but not bound to follow either the Little Steel formula or the change during the war to a 48-hour week. Thus the take-home pay of city employees generally was not reduced at the end of the war because cities did not cut back from a 48-hour week. Nevertheless, municipal pay policies are affected by what happens in the industrial field.

Analyzing the Problem. Before any city increases pay rates the following questions should be answered:

1. Is the present pay schedule internally equitable and consistent? Are the employees who are overpaid or underpaid in comparison with fellow workers performing the same duties? Is there an equitable relation between the different classes of positions?
2. To what extent, if any, are existing pay rates for specific positions out of line with those paid in other comparable employment?
3. How much, and at what rate, have living costs increased in the city or area?
4. To what extent is the city financially able to increase employees' pay?

If answers to these questions indicate the need for making pay increases some decision must be made with regard to the form the increase is to take.

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Are the raises to be considered as a bonus or as a fundamental change in the established pay structure? Is the increase to be a flat amount per month for all employees or will it be on a graduated basis with a higher percentage increase for lower paid employees? Is some continuing system to be adopted to gear pay rates to changes in the cost of living?

A plan of local salary adjustments should be worked out with the assistance of all interested groups, and all available sources of data should be reviewed before coming to a final conclusion. Some flexibility should be written into the system so that changes may be made as conditions require. It should not be necessary to point out that a sound position-classification system is vital to the establishment of any comprehensive and valid pay plan. Finally, it is not advisable to increase pay without at the same time determining the method of financing such increases. Will the city discontinue some services and get along with fewer employees, or will the tax rate be increased, or will new sources of revenue be adopted?

Survey of Prevailing Rates. The steps that may be taken in studying the local pay situation are:

1. Analyze departmental budgets and payrolls to make a predetermination of the following points: (a) what positions or titles exist in each department; (b) what each title represents in the way of duties; (c) what rates are being paid; and (d) how many employees are receiving each rate.

2. Prepare a questionnaire designed to secure data on rates paid by other employers for comparable positions. This would be sent to a selected group of public and private employees in the area. The form should contain as much information as possible about the positions for which comparative pay data are being gathered. Positions carrying the same title often carry different duties in various jurisdictions. Shown below is a sample questionnaire used by the Minnesota State Civil Service Department, using "capsule" job descriptions. The "capsule" description is the key to the success of the form.

Wage Survey Questionnaire (Clerical)*

Title and Typical Duties	Salary		Number of Such Employees	Hours per Week	Days Vacation Leave	Days Sick Leave
	Level	Rate				
Junior Stenographer: Takes simple dictation, performs routine typing and clerical work. Re- quires training, but no previous experience	Low	—	—	—	—	—
	Usual	—	—	—	—	—
	High	—	—	—	—	—
Stenographer: Takes dictation and transcribes moderately difficult cor- respondence, reports and statements; performs high- grade typing and full-grade clerical work. Requires pre- vious experience.	Low	—	—	—	—	—
	Usual	—	—	—	—	—
	High	—	—	—	—	—

*Several different questionnaires were used, grouping related positions, to facilitate gathering information from various employers.

3. Comparative pay data should be obtained only from jurisdictions where comparable conditions exist. Pay rates of other cities in the same population group and with similar economic characteristics should certainly be obtained (see Table IV in Municipal Year Book for 1945 or 1946 for cities of like size and similar economic base). There are, of course, many cities positions that have no counterpart in private industry. One way to check on salaries of police, firemen, recreation workers, and similar types of employees is to get comparable pay from other cities. In determining the difference in pay for various classes of work a point rating or factor analysis technique may be used. Prevailing rates for typists, accountants, mechanics, truck drivers, and so on can best be secured from local business firms.

4. The information gathered in the pay survey should be tabulated, analyzed, and "boiled down" to a point where valid comparisons can be made. For a given type of position, the rates reported by the different employers will tend to focus about a certain figure. Median and quartile figures are preferable to averages; or the "weighted average" rate may be used. The latter is secured by multiplying each reported rate by the number of employees reported as receiving that rate, and then dividing by the total number of employees covered in that segment of the pay study. For example, one employer may report that the usual monthly rate for eight stenographers employed by his firm is \$100 per month. Another employer reports that the two stenographers in his firm received \$120 a month. The weighted average of these two rates is \$104, whereas the unweighted average is \$110.

5. The next step is to compare the existing pay schedule and the above summarization of rates prevailing elsewhere to ascertain the extent to which internal salary adjustments are needed. Particular attention will naturally be given those rates that are substantially below the general level for comparable jobs. It is a comparatively easy matter then to determine the amount of money required to bring these rates up to the proper point.

A survey of prevailing rates is a major element in determining local pay policy. Therefore cities should consider making annual or even more frequent surveys of wage and salary rates paid for comparable work in private industry and by local governments in the area and by selected cities of approximately the same size and type. Comparative data accumulated over a period of years would show trends for groups of employees and also shifts in the relation of one group to another. Of course the increases finally granted generally are the result to a large extent of bargaining between the employees and the local government and what the city can afford.

During periods of depression municipal salaries and wages generally do not go as low as in private industry. Conversely, it cannot be expected that public pay levels can keep up with increases in private industry during periods of inflation. Even now, however, the pay for municipal jobs paying up to \$200 a month compares favorably with private industry. Also, in comparing pay levels with private industry some consideration must be given to the fact public employees may have certain advantages over other groups of employees in the area, such as better working conditions, a good retirement plan, more liberal vacation and sick leave allowances, etc. In some areas, however, local governments make a poor showing in comparison with private industry.

Over-All Pay Increases. If a city has a good position-classification and pay plan, and the existing pay structure is internally consistent, the question of pay increases at this time is largely a matter of over-all increases

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to meet rising living costs. In such cases a uniform dollar amount per month may be equitable. Wichita, Kansas, for example, adopted a position-classification and pay plan in 1944 when inequities between various positions also were resolved. It was quite simple and also equitable therefore for Wichita to make a general over-all salary increase recently when the pay of all municipal employees was increased \$10 per month, and the minimum and maximum salaries for the various classes of positions were increased by this amount. The \$10 increase was agreed upon after a comprehensive analysis was made of salary adjustments effected since 1940 and an analysis of changes in the Bureau of Labor Statistics cost-of-living index.

Another plan is to add a uniform percentage to the base salary. Still another popular method is to base the increase on a sliding scale of two or more percentages, providing the larger percentage increases to workers in the lower salary brackets. Either of these plans may result in larger increases for higher salaried employees than the flat dollar amount per month for all workers.

While employees in the lower brackets are the most seriously affected by increased living costs, cities should realize that the higher pay offered elsewhere for the services of upper-bracket employees places the city at a disadvantage in retaining them or replacing them when they leave. In general, pay increases for department heads and other administrative positions have not kept pace in recent years with increases granted to lower-paid employees. Therefore, if pay increases are to be granted it should be to the advantage of the city to make some pay increases in the upper-bracket positions also.

During recent years many cities have geared their pay plans to cost-of-living indexes. Such a solution requires considerably more planning and investigation than do most bonus or general increase systems and it should not be undertaken without assurance of a reliable and currently maintained index of living costs definitely applicable to the city or area concerned.

A city that intends to install a cost-of-living plan of some sort, should make provisions for revising pay rates at regular intervals, not less often than once each year nor more often than semi-annually. No change should be attempted which would affect salaries by less than 2 per cent nor more than 10 per cent. Changes of less than 2 per cent are negligible in effect but just as costly to put into operation as greater changes. A limitation of 10 per cent gives both the city and the employees a safety valve to allow for adjustment to extremely rapid changes. Since cost-of-living data are probably more accurate in the lower and intermediate expenditure rates, there should perhaps be some limitation on the rate beyond which adjustments will not be made. Some authorities have suggested that changes in salaries that are under a cost-of-living plan be limited to the first \$150 to \$200 of monthly salary.

An auxiliary measure for increasing pay is to shorten the period between regularly granted pay increases within established salary ranges, assuming the city has a well-developed pay plan. Another method is to hire new employees at rates in excess of the minimum established rate, and giving a corresponding increase to all incumbent employees to the new rates.

Municipal pay levels should be reviewed annually on the basis of surveys which indicate changes that have taken place in economic conditions, pay rates in other employment, and financial capacity of the city. Cities that

do not have a sound basic pay plan and do not make periodic resurveys probably should make temporary increases of the bonus type.

Sources of Salary Information. Some local governments publish their salary plans giving titles of positions and minimum and maximum pay or amount currently paid. This material, however, has limited value. Of greater value are wage data issued by the Bureau of Labor Statistics. Also useful are the median and quartile distribution of salaries for department heads by city population groups as of January, 1946, in the 1946 edition of the Municipal Year Book to be published in June, 1946. The Year Book also shows trends in some salaries since 1942, and gives salaries of fire and police chiefs, as well as entrance and maximum annual salaries for firemen and policemen for each city over 10,000 population. Three recent statewide studies of municipal salaries are: Municipal Salaries in Massachusetts (Federation of Taxpayers' Associations, 11 Beacon Street, Boston); Salaries and Wages of Officials and Employees of Texas Cities and Towns (League of Texas Municipalities, 2220 Guadalupe Street, Austin 21); and Salary and Wage Data for Michigan Cities of more than 10,000 (Michigan Municipal League, 205 South State Street, Ann Arbor).

Elements of Sound Pay Plan. Cities which have not adopted a pay plan should undertake to do so as soon as possible. Such a plan consists of three essential elements: (1) A thoroughgoing analysis and classification of all positions with substantially similar duties and responsibilities, where they are grouped together and given a common title. This permits uniformity and justice in the handling of pay rates for all employees who occupy similar positions. (2) Setting up the pay plan itself. This may consist principally of a series of pay ranges, each consisting of a minimum rate, maximum rate, and one or more intermediate steps. Under this arrangement each class of positions in the classification plan is assigned to an appropriate pay range. (3) The adoption of a formal policy concerning administration of the plan. This involves making original appointments at the minimum rate and not paying an employee more than the maximum rate for his position as established in the pay plan, with advancement from one step to another within the salary range conditioned upon satisfactory performance as determined by service ratings rather than by seniority or length of service. These are the essential elements of a sound pay plan, and the cities that now possess such genuine pay plans are in the much better position to make internal and overall adjustments in pay rates than other cities. In the absence of any such plan the problem of adjusting pay is multiplied many times over by deep-rooted inequities in pay among various types of work.

(Note: Subscribers to MIS may secure on request more detailed information on the procedure to be followed in surveying prevailing salary rates; further information also is available on many other phases of the pay problem.)

